

Final
Report on the
Medical Loss Ratio Examination
of
Reliance Standard Life Insurance Company
(Chicago, Illinois)
for the
2017 MLR Reporting Year

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information & Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



OVERSIGHT GROUP

December 22, 2025

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information & Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Reliance Standard Life Insurance Company (the Company) for the 2017 reporting year, including 2017, 2016 and 2015 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

A handwritten signature in blue ink that reads "Christina A. Whitefield".

Christina A. Whitefield, Director
Data and Analytics Division
Oversight Group
Center for Consumer Information & Insurance Oversight
Centers for Medicare & Medicaid Services
US Department of Health & Human Services

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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2017 Medical Loss Ratio (MLR) Annual Reporting Form for Reliance Standard Life Insurance Company (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2017 MLR Annual Reporting Form contains some elements that are not compliant with the requirements of 45 CFR Part 158, and that impact consumer rebates.

We direct the Company to implement the necessary corrective actions to address the findings detailed in this report, including: obtaining and maintaining adequate information to accurately determine the market classification of group policies; adopting and implementing a comprehensive MLR records maintenance program; properly completing and submitting an MLR Annual Reporting Form for each state in which the Company has health insurance coverage in effect; properly and accurately reporting incurred claims, earned premium and member months; ensuring that federal income taxes are properly allocated and the method used for the allocation is properly disclosed; ensuring that Rebate Notices include all of the required information; and adopting and implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions.

To the extent that the findings could be quantified, the recalculation of the Company's 2017 MLRs resulted in changes to its reported MLRs in the large group market in all 23 states in which it filed an MLR Annual Reporting Form, increasing the Company's rebate liability for the 2017 reporting year by \$330,769 in the large group market in 16 of those states. In addition, due to the reduction in current year earned premium in the large group market, the recalculated rebate amount in seven states was \$733,282 less than that reported by the Company. However, due to the lack of adequate documentation supporting incurred claims and the state of issuance of each policy, as well as the failure to submit an MLR Annual Reporting Form in all states in which the Company had health insurance coverage subject to 45 CFR Part 158 in effect, we cannot, at this time, conclusively assess the full impact of the examination findings on the Company's MLRs or rebate liability in any of the states in which it operates.

II. Scope of Examination

CCIIO examined the Company's 2017 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. Title 45 CFR Part 158 implements section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Patient Protection and Affordable Care Act (ACA), generally requires health insurance issuers to submit to the Secretary of the U.S. Department of Health & Human Services (HHS) an annual report concerning premium revenue and expenses related to group and individual health insurance coverage issued. The federal MLR is the proportion of earned premium, less certain taxes and regulatory fees, expended by an issuer on clinical services and activities that improve health care quality in a given state and market, after adjustments for the credibility of the experience or other factors, where applicable, and calculated using the average of three consecutive years of data. Section 2718 also requires an issuer to provide rebates to consumers if it does not meet the

applicable MLR standard (generally, 80% in the individual and small group markets and 85% in the large group market).

This is the first examination of the Company’s MLR Annual Reporting Form performed by CCIIO. The examination covered the reporting period of January 1, 2015 through December 31, 2017, including 2015, 2016, and 2017 experience and claims run-out through March 31, 2018. We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

The Company’s response to each finding appears after the finding in the Conclusion, Corrective Actions, Company Responses, and CCIIO Replies section of this Report. The Company’s implementation of the corrective actions was not reviewed for proof of implementation or subjected to the procedures applied during the examination. CCIIO’s replies are based solely on a review of the Company’s response. CCIIO reserves the right to review the actual implementation of the Company’s corrective action and proposed action plan for each corrective action in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate.

III. Summary of Findings

Page	Key Findings
7-8	Failure to employ standards consistent with the definitions in §158.103 to correctly determine the size of group policyholders – The Company did not obtain from each group policyholder, at the time of initial application or policy renewal, the average total number of employees (ATNE) employed on the business days of the calendar year preceding the coverage effective date, as required by regulation, and therefore may not have correctly determined each group’s size and market classification.
8, 9, 10, 11	Failure to maintain adequate documentation as required by §158.502 – The Company did not maintain the documents and other records necessary to enable CCIIO to verify that the MLRs and any rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not maintain the documents, data, or other records necessary to reproduce the total paid claims, the state of issuance of each policy, the allocation of federal income taxes, and member months reported on its 2017 MLR Annual Reporting Form. The precise impact of this failure could not be conclusively determined due to the Company’s lack of adequate documentation.

8	<p>Failure to properly report and aggregate the experience of policies issued, as required by §158.120 – The Company failed to submit a 2015, 2016, and 2017 MLR Annual Reporting Form for nine states and the District of Columbia in which it had health insurance coverage subject to 45 CFR Part 158 in effect, as required by §158.120(a). The precise impact of this error could not be determined due to the lack of adequate documentation.</p> <p>The Company improperly aggregated its claims experience in the large group market in all states on its 2015, 2016, and 2017 MLR Annual Reporting Forms, based upon the state of residence of its enrollees instead of the state of issuance of each policy. The precise impact of this error cannot be conclusively determined due to the Company’s lack of adequate documentation.</p>
9	<p>Failure to accurately report incurred claims, as required by §158.140 – Due to numerous calculation errors, the Company improperly reported its claims experience in the large group market in ten states on its 2017 MLR Annual Reporting Form. As a result of these errors, the Company overstated its current year incurred claims by \$160,347 in those ten states.</p>
9, 11	<p>Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 – The Company failed to restate its 2015 and 2016 incurred claims on Part 3, Line 1.2, in the prior year (PY2 and PY1) columns on its 2017 MLR Annual Reporting Form. The precise impact of this error could not be conclusively determined due to the Company’s lack of documentation necessary to support the subsequent development of incurred claims.</p> <p>The Company failed to report adjusted incurred claims for prior years in the PY2 and PY1 columns on Part 3, Line 1.1, on its 2017 MLR Annual Reporting Form. This error did not impact the MLR calculation as Part 3, Line 1.1, is not used in the MLR calculation.</p> <p>The Company incorrectly calculated member months reported on its 2017 MLR Annual Reporting Form and failed to provide documentation to support the recalculation using the amount that should have been reported. Consequently, we could not determine the accuracy of the Company’s life-years, or the credibility adjustment reported, for 17 states in the large group market. As a result, the credibility adjustment for those 17 states in the large group market was restated to 0.0 for purposes of the examination.</p>
10	<p>Failure to properly report direct earned premium, as required by §158.130 – Due to several recording errors, the Company incorrectly reported the direct premium written on its 2017 MLR Annual Reporting Form in Louisiana and Texas. As a result of these errors, the Company understated its current year earned premium in Louisiana by \$67,408, and overstated its current year premium in Texas by \$15,968.</p>

10	<p>Failure to properly allocate federal income taxes, as required by §158.170 – The Company could not provide sufficient documentation supporting its allocation of its 2017 federal income taxes between the states in the large group market, or demonstrate that its methodology for allocating its federal income taxes was based on generally accepted accounting methods that are expected to yield the most accurate results. As a result, we re-allocated the federal income taxes using the pre-tax underwriting gain/(loss) and determined that the Company understated its current year taxes, licensing, and regulatory fees by a net amount of \$830,328, in the states in which it filed an MLR Form.</p> <p>The Company failed to report the method used to allocate its federal income taxes on its 2017 MLR Annual Reporting Form. This error did not impact the MLR calculation.</p>
12	<p>Failure to comply with the MLR rebate notification requirements at §158.250 – The Company failed to include all required information in the Rebate Notices provided to its policyholders who received an MLR rebate for the 2017 MLR reporting year, as required by §158.250. This error did not impact the MLR calculation.</p>

Based on the adjustments that could be quantified, the examination findings resulted in changes to the Company’s reported MLRs in all 23 states in which it filed an MLR Annual Reporting Form. In 16 states in the large group market, the lower, recalculated MLRs continued to be below the MLR standard of 85%, resulting in an additional rebate liability of \$330,769 for 2017. However, as a result of the examination adjustments that reduced the current year denominator, the recalculated rebate amount in seven states was \$733,282 less than that reported by the Company. Due to the lack of adequate documentation supporting incurred claims and the state of issuance of each policy, as well as the failure to properly submit an MLR Annual Reporting Form in nine additional states and the District of Columbia, we cannot, at this time, conclusively assess whether there were additional errors that would impact the Company’s MLRs or rebate liability.

The three-year adjusted, aggregated incurred claims and earned premium for the 2017 MLR reporting year, combined for all of the Company’s states in the large group market, along with the resulting credibility-adjusted MLRs and rebates for 2017, are shown in the following tables. The differences between the amounts in the “As Filed” and the “As Recalculated” rows reflect the adjustments made to properly restate incurred claims and earned premium, reallocate federal income taxes, and to restate the credibility adjustment to zero.

Recalculated Aggregate¹ Large Group Market Incurred Claims, Earned Premium, and Rebates for the 2017 Reporting Year

	Large Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	\$5,964,061	\$24,290,346	\$3,427,250
As Recalculated	\$5,803,714	\$24,341,786	\$3,758,019
Difference	(\$160,347)	\$51,440	\$330,769

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit life insurer domiciled in Illinois, and sells large group market health insurance coverage in all 50 states and the District of Columbia.

During the 2015, 2016, and 2017 MLR reporting years, the Company operated in the large group market that was subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2017, the Company reported a total of 58,631 covered lives and \$7,232,077 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 2,222,894 covered lives and \$542,567,480 in direct earned premium from all health lines of business. The Company's lines of business not subject to the MLR regulations at 45 CFR Part 158 include stand-alone dental insurance, limited benefits health insurance, disability insurance, group life insurance, accidental death and dismemberment insurance, stop-loss coverage, and fixed annuity products.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2017 were:

Officers

<u>Name</u>	<u>Title</u>
Christopher A. Fazzini	President
Charles T. Denaro	Secretary
Thomas A. Lutter	Treasurer
Rosemary T. Barton	Appointed Actuary

Directors

<u>Name</u>
Christopher A. Fazzini

¹ See Appendix I to this report for the three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates, for the 2017 reporting year for the states in which the MLRs changed as a result of the examination findings.

Steven A. Hirsh
Seigo Ishimaru
Stephan A. Kiratsous
James M. Litvack
James N. Meehan
Philip R. O'Connor
Robert Rosenkranz
Donald A. Sherman

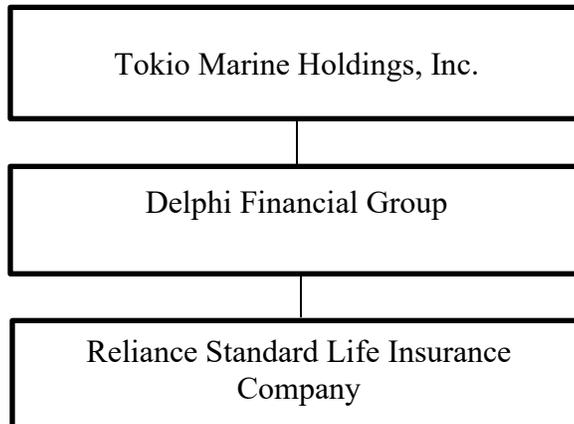
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2017 MLR Annual Reporting Form were:

<u>Name</u>	<u>Title</u>
Christopher A. Fazzini	CEO Attester
Thomas A. Lutter	CFO Attester

C. Ownership

The Company is a member of an insurance holding group system.

Reliance Standard Life Insurance Company Organizational Chart as of December 31, 2017²



D. Agreements

As of December 31, 2017, the Company had entered into the following intercompany agreement that is pertinent to a review of its MLR Annual Reporting Form:

1. A Tax Allocation Agreement with Delphi Financial Group, Inc. and various affiliated entities.

² This is an excerpt from the organization chart provided by the Company and includes only those entities whose relationship to the Company impacted the MLR examination.

E. Reinsurance

During 2015, 2016, and 2017, the Company did not have any reinsurance agreements in effect that impacted the MLR reporting of its health insurance policies subject to the regulations at 45 CFR Part 158.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 2001 Market Street, Suite 1500, Philadelphia, PA, 19103.

As noted herein, the Company did not comply with §158.502 with regard to maintaining adequate documentation and other evidence necessary to enable CCIIO to verify that the MLRs and rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not maintain adequate documentation supporting its incurred claims, the state of issuance of each policy, federal income taxes, and member months, as reported on its 2017 MLR Annual Reporting Form, as well as failed to submit an MLR Annual Reporting Form, as required, in nine states and the District of Columbia.

VI. Examination Results

Except as noted in this report, based on the procedures performed, nothing came to our attention that would indicate that the Company's 2015, 2016, and 2017 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2015, 2016, and 2017 MLR Annual Reporting Forms were filed by the due date.

The Company reported that it did not meet the MLR standard of 85% in the large group market in 23 states in 2017, and paid rebates of \$3,427,250 to its enrollees in these states. Based on the errors found during the examination that could be quantified, the MLRs for the 2017 reporting year were recalculated and resulted in an additional rebate of \$330,769 in 16 states in the large group market. However, due to the Company's lack of adequate documentation to support its incurred claims and the state of issuance of each policy, as well as the failure to submit a required MLR Annual Reporting Form in nine states and the District of Columbia, we cannot conclusively assess whether there were additional errors that could impact the Company's MLRs or rebate liability.

A. MLR Data

Market Classification

Incorrect Procedures for Determining Group Size and Market Classification

The Company adopted policies and procedures for determining group size and market classification that are inconsistent with the definitions in §158.103 applicable to the 2015-2017 reporting years. Section 158.103 uses the applicable definitions of Large Employer, Large Group Market, Small Employer, and Small Group Market in section 2791 (e) of the PHS Act. Section

2791(e) of the PHS Act requires that small and large group market classifications be based on the average total number of employees (ATNE) on the business days of the calendar year preceding the coverage effective date.

The Company did not obtain the necessary information from group policyholders to determine employer size in accordance with this definition, and therefore may have incorrectly determined the market classification for group policies in the period covered by this examination. The Company provided copies of then-recent group policyholder billing invoices, the original or renewal policy applications, and other documentation, none of which contained the ATNE on the business days of the calendar year preceding the coverage effective date. Since the Company based its determinations on the number of eligible employees at the time of either the initial policy application or policy renewal, based on the available documentation, the examiners could not confirm whether the Company correctly determined group size, and consequently the market classification, of its group policies.

Due to the Company's use of the incorrect standard for determining group size and market classification, which could have impacted the market classification of some groups, and the lack of adequate documentation necessary to support its determinations, we cannot conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

Aggregation

Failure to Submit an MLR Annual Reporting Form for all Applicable States

The Company did not submit an MLR Annual Reporting Form for nine states and the District of Columbia in which it had health insurance coverage subject to 45 CFR Part 158 in effect. The Company indicated that for the 2015, 2016, and 2017 MLR reporting years, it only submitted an MLR Annual Reporting Form for the states in which it owed and paid rebates to enrollees. According to §158.120(a), an issuer must submit an MLR report for each state in which it is licensed to issue health insurance coverage that includes the experience of all policies issued in the state during the MLR reporting year covered by the report. The Company had a total of \$453,025 in incurred claims and \$245,261 in earned premium in 2017 for these nine states and the District of Columbia. Although the examiners requested the Company's 2015-2017 experience for these states in order to calculate each MLR and determine whether any rebates were due to enrollees, the Company failed to provide the requested information. As a result, we could not determine whether the calculated MLRs in these states met or exceeded the MLR standard of 85%, as the Company asserted.

Failure to Properly Aggregate Claims Experience

The Company improperly aggregated and reported its large group market claims based upon the state of residence of its enrollees instead of based on the state of policy issuance, as required by §158.120, on its 2015, 2016, and 2017 MLR Annual Reporting Forms. According to §158.120(a), experience with respect to each policy must be included on the report submitted with respect to the state where the contract was issued. The Company was unable to provide documentation connecting the state where claims were paid (and reported) to the state in which the group policy was issued to the employer sponsor of the group health plan. Therefore, we were unable to correctly move the claims experience to the correct state and recalculate the

Company's MLRs and we could not conclusively determine the accuracy of incurred claims for any state.

Due to the Company's failure to file an MLR Annual Reporting Form for all required states, and the lack of adequate documentation necessary to connect each enrollee's claims experience to the state of policy issuance, we could not determine whether the samples of policies, claims, and other reporting elements tested during the examination were correctly assigned to the appropriate states and lines of business in accordance with §158.120.

Incurred Claims

Inadequate Reconciliation of Paid Claims

The Company was unable to provide adequate documentation supporting the amounts it reported for paid claims on Part 2, Line 2.1b, on its 2017 MLR Annual Reporting Form, for all states in the large group market. The Company was unable to adequately reconcile the detailed data files provided as part of the examination of claims paid in 2017 to the amounts reported on its 2017 MLR Annual Reporting Form, or to its 2017 Annual Statement. According to §158.502, issuers must maintain, for a period of not less than six years, all documents and other evidence necessary to enable HHS to verify that the MLR and rebates due to enrollees are calculated in accordance with 45 CFR Part 158. The precise impact of this error could not be conclusively determined due to the Company's lack of adequate documentation supporting the reconciliation of its paid claims data file to its 2017 MLR Annual Reporting Form.

Incorrect Reporting of Current Year Paid Claims

Due to numerous reporting and calculation errors, the Company incorrectly reported paid claims on Part 2, Line 2.1b, on its 2017 MLR Annual Reporting Form in the large group market in ten states. For example, the Company improperly included claims amounts paid for fixed indemnity policies that are not subject to 45 CFR Part 158 in the claims experience for ten states. Also, the Company incorrectly reported its Kentucky claims on its Louisiana MLR Annual Reporting Form, resulting in it incorrectly reporting paid claims in Louisiana. As a result of the net effect of these and other various errors, the Company overstated its current year incurred claims on Part 3, Line 1.2, by \$160,347 in ten states in the large group market.

Improper Reporting of Prior Year Incurred Claims

The Company failed to restate its 2015 and 2016 incurred claims on Part 3, Line 1.2, in the PY2 and PY1 columns on its 2017 MLR Annual Reporting Form. The Company failed to adjust its 2015 and 2016 incurred claims for subsequent development. According to the 2017 MLR Annual Reporting Form Filing Instructions, the amount reported on Part 3, Line 1.2, in the PY2 and PY1 columns must include incurred claims restated as of March 31 of the year following the MLR reporting year. Incurred claims initially reported for 2015 and 2016 should have been restated on Line 1.2 for the prior year columns for all applicable elements of adjusted incurred claims and reflected run-out through March 31, 2018. The precise impact of this error could not be conclusively determined due to the Company's lack of documentation supporting the development of incurred claims for the prior year experience that occurred subsequent to March 31 of each MLR reporting year.

In addition, the Company improperly failed to report incurred claims for prior years on Part 3, Line 1.1, in the PY2 and PY1 columns on its 2017 MLR Annual Reporting Form. According to the MLR Annual Reporting Form Filing Instructions, the amounts reported on Part 3, Line 1.1, PY2 and PY1 columns, must equal the amounts originally reported on the respective MLR Annual Reporting Form. This error did not impact the MLR calculation as Part 3, Line 1.1, is for informational purposes only and is not included in the MLR calculation.

Based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, due to the lack of documentation supporting the reconciliation of its paid claims detailed data, and the subsequent development of incurred claims, as noted above, we could not conclusively determine whether incurred claims were accurately reported.

Claims Recovered Through Fraud Reduction Efforts

The Company did not report any recoveries of paid fraudulent claims, which §158.140 (b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities

The Company did not report any expenses for activities that improve health care quality, which §158.221(b) allows as an adjustment in calculating the MLR numerator.

Earned Premium

Incorrect Reporting of Direct Premium Written

Due to several recording errors, the Company incorrectly reported the direct premium written on Part 2, Line 1.1, on its 2017 MLR Annual Reporting Form in Louisiana and Texas. For example, the Company incorrectly reported its Kentucky premium written in Louisiana. As a result of this and other errors, the Company understated its current year earned premium on Part 3, Line 2.1, in Louisiana by \$67,408, and overstated its current year earned premium in Texas by \$15,968.

Based upon the procedures performed, due to the lack of documentation supporting the state of issuance of each policy noted above, we could not conclusively determine whether earned premium was properly reported on a direct basis or that the data elements underlying the 2015, 2016, and 2017 premium reported on the Company's 2017 MLR Annual Reporting Form were compliant with §158.130.

Taxes

Improper Allocation of Federal Income Taxes

The Company could not provide sufficient documentation supporting how it allocated its 2017 federal income taxes between the states, or that its methodology for allocating its federal income taxes was in compliance with §158.170(b)(1), which requires allocations to be based on generally accepted accounting methods that are expected to yield the most accurate results. According to the 2017 MLR Annual Reporting Form Filing Instructions, Part 1, Section 3, pre-tax underwriting gain/(loss) is the most appropriate basis for allocating income taxes. We recalculated the underwriting gain/(loss) based on the premium, claims, and other data made available during the examination, and re-allocated the total federal income tax between all states

in which it had health insurance coverage in effect. As a result, the Company understated its current year taxes, licensing, and regulatory fees on by the net amount of \$830,328 in the states in which it filed an MLR Form.

Failure to Disclose Allocation Methodology

The Company failed to report the method used to allocate its federal income taxes to each state on its 2015, 2016, and 2017 MLR Annual Reporting Forms, as required by §158.170(b). This error did not impact the MLR calculation.

Based upon the procedures performed, other than the lack of sufficient documentation supporting the federal income tax allocations, and the failure to disclose allocation methodologies noted above, nothing additional came to our attention that would indicate that the taxes, licensing, and regulatory fees excluded from 2015, 2016, and 2017 earned premium on the Company's 2017 MLR Annual Reporting Form did not comply with §158.161 and §158.162.

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Incorrect Calculation of Member Months

The Company incorrectly calculated the member months reported on Part 1, Line 7.4, on its 2017 MLR Annual Reporting Form. According to the documentation provided by the Company, it multiplied the member months reported in the 12/31 column by a factor of 1.5 to estimate the member months attributable to the dependents of its subscribers reported in the 3/31 column. The Company failed to provide documentation supporting its subscribers' member months, or any documentation supporting the reasonableness of the factor of 1.5 that it used to estimate the dependents' member months.

According to §158.230(b) and the 2017 MLR Annual Reporting Form Instructions, the number of life-years is calculated by dividing total member months by 12. Due to the inability to determine the accuracy of the member months reported on Part 1, Line 7.4, we could not determine the accuracy of the Company's life-years reported on Part 3, Line 3.1 on its 2017 MLR Annual Reporting Form. Consequently, we could not determine the accuracy of the credibility adjustment reported on Part 3, Line 3.5, for the 17 states in the large group market in which a credibility adjustment was reported. As a result, the credibility adjustment for those 17 states was restated to 0.0.

The Company reported that it did not meet the 2017 MLR standard of 85% in the large group market in 23 states, and was required to and did pay rebates of \$3,427,250 in those states. In an additional nine states and the District of Columbia in which the Company had health insurance coverage subject to 45 CFR Part 158 in effect in 2017, the Company incorrectly determined that it was not required to file an MLR Annual Reporting Form because it had met the MLR standard in each such state and thus did not owe rebates. However, as noted above, due to the lack of sufficient supporting documentation, the examiners were unable to calculate the MLR for these states. As detailed in this report, the examination identified errors in the data underlying the Company's MLRs and rebate calculations, resulting in changes to the Company's 2017 MLRs and rebate amounts.

C. Rebate Disbursement and Notice

Failure to Include All Required Information in Rebate Notices

The Company failed to include all of the required information in the rebate notices it sent to those policyholders who received an MLR rebate for the 2017 reporting year, as required by §158.250. Based on testing a sample of 25 Rebate Notices the Company did not disclose its MLR, the aggregate premium revenue net of any taxes, licensing, and regulatory fees, and its rebate percentage, as required by §158.250. This error did not impact the MLR calculation.

According to its 2017 MLR Annual Reporting Form, the Company reported that it owed rebates in 23 states in the large group market. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-244, but as noted above, the Rebate Notices did not comply with §158.250.

D. Compliance with Previous Recommendations

The Company indicated that neither CCIIO nor any state regulatory entity has previously performed an examination of the Company's MLR processes and reporting. The Illinois Department of Insurance performed a financial examination of the Company in 2014 covering the period January 1, 2009 through December 31, 2012. There were no findings as a result of the financial examination.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2017 MLR Annual Reporting Form. No post-December 31, 2017 significant events were brought to CCIIO's attention.

VIII. Conclusion, Corrective Actions, Company Responses, and CCIIO Replies

CCIIO examined Reliance Standard Life Insurance Company's 2017 MLR Annual Reporting Form to assess the Company's compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the 2017 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2017 MLR Annual Reporting Form contained numerous elements that were not compliant with the requirements of 45 CFR Part 158.

Based on the cumulative effect of the examination findings that could be quantified, the Company owes additional 2017 rebates of \$330,769 in 16 states, in the large group market. However, due to the lack of adequate documentation to support incurred claims and the state of policy issuance, as well as the failure to properly submit an MLR Annual Reporting Form in nine states and the District of Columbia, we cannot, at this time, conclusively assess whether there were additional errors that could impact the Company's MLRs or rebate liability.

As a result of this examination, consistent with § 158.402(e), CCIIO directs the Company to implement the following corrective actions:

Corrective Action #1

The Company must adopt and implement procedures to ensure that it obtains and maintains accurate information from its employer groups at the time of policy application and at renewal in order to determine the correct group size and market classification of its group policies, consistent with the definitions in section 2791(e) of the PHS Act and the applicable requirements of 45 CFR Part 158 and related technical guidance. This should include, but not be limited to, obtaining, and maintaining documentation of the average total number of employees for the calendar year preceding the coverage effective (or renewal) date.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #1.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #2

The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include maintaining documentation, as may be necessary, to enable CCIIO to verify: the accuracy of incurred claims; the state of issuance of each policy; its allocation of federal income taxes; and its member months reported on its MLR Annual Reporting Form.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #2.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #3

The Company must adopt and implement procedures to ensure it properly completes and submits an MLR Annual Reporting Form for each state in which it has health insurance coverage in effect, and that it properly aggregates its claims experience on the MLR Annual Reporting Form submitted with respect to the state where each contract was issued, as required by §158.120(a).

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #3.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #4

The Company must adopt and implement procedures to ensure it properly and accurately calculates and reports incurred claims on its MLR Annual Reporting Form, in accordance with §158.140, including ensuring that it does not include incurred claims for lines of business not subject to 45 CFR Part 158.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #4.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #5

The Company must adopt and implement procedures to ensure it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including properly restating prior year incurred claims, properly reporting prior year adjusted incurred claims, and properly calculating member months.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #5.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #6

The Company must adopt and implement procedures to ensure that it properly calculates and reports earned premium in an accurate manner, in accordance with §158.130.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #6.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #7

The Company must adopt and implement procedures to ensure that federal income taxes are allocated to each state based on an accounting method that yields the most accurate results, as

required by §158.170(b)(1). As noted in the 2017 MLR Annual Reporting Form Filing Instructions, in most cases, the pre-tax underwriting gain/loss is the most appropriate basis for allocating income taxes. In addition, the expense allocation methodology used must be properly disclosed in Part 6 of the MLR Grand Total template, in accordance with §158.170(c) and the MLR Annual Reporting Form Filing Instructions.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #7.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #8

The Company must adopt and implement procedures to ensure proper issuance of the Rebate Notice to its policyholders, including all required information as set forth by §158.250.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #8.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #9

The Company must re-file its 2017 MLR Annual Reporting Form to rectify the errors and reflect the findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including calculating any additional rebates due to its enrollees. Any underpaid rebates calculated by the Company as a result of the findings herein should be paid as soon as possible but in no event later than sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Company Response

The company has reviewed the exam findings and implemented process changes for aligning to the MLR Filing Instructions as described in corrective action #9.

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan and looks forward reviewing the Company's corrected 2017 Annual MLR Reporting Form that includes all of the adjustments based on the findings in this Report, and will request evidence from the Company that the additional MLR rebate payments were made within 60 days of issuance of this Final MLR Report.

The corrective actions provided in this report should be shared with and adopted by, as applicable, any affiliated entities of the Company, such as its parent or subsidiaries, if any, that are similarly subject to the MLR reporting and rebate requirements of 45 CFR Part 158.

IX. Appendix I – Recalculated MLRs³ and Rebates for the 2017 Reporting Year

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2017, for the states in which the MLR changed as a result of the examination, are shown in the following tables. The differences between the amounts in the “As Filed” and “As Recalculated” rows reflect the net impact of the adjustments made to properly restate incurred claims and earned premium, reallocate federal income taxes, and to restate the credibility adjustment to zero.

Alabama

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$23,193	\$128,494	26.3%	\$36,143
As Recalculated	\$21,593	\$120,896	17.9%	\$36,217
Difference	(\$1,600)	(\$7,598)	(8.4%)	\$74

Arizona

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$156,660	\$744,686	24.5%	\$141,611
As Recalculated	\$156,660	\$741,568	21.1%	\$147,577
Difference	\$0	(\$3,118)	(3.4%)	\$5,966

Florida

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$630,560	\$2,503,625	25.2%	\$415,355
As Recalculated	\$630,560	\$2,279,704	27.7%	\$269,684
Difference	\$0	(\$223,921)	2.5%	(\$145,671)

Georgia

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$304,214	\$1,129,267	26.9%	\$218,278
As Recalculated	\$298,614	\$1,016,475	29.4%	\$146,174
Difference	(\$5,600)	(\$112,792)	2.5%	(\$72,104)

³ The MLRs shown may not equal the quotient of the numerator divided by the denominator due to the inclusion of a credibility adjustment, in accordance with §158.230.

Idaho

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$155,255	\$542,879	33.2%	\$64,430
As Recalculated	\$155,255	\$574,379	27.0%	\$90,412
Difference	\$0	\$31,500	(6.2%)	\$25,982

Illinois

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$161,830	\$682,820	28.1%	\$51,649
As Recalculated	\$161,830	\$758,679	21.3%	\$106,144
Difference	\$0	\$75,859	(6.8%)	\$54,495

Indiana

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$155,901	\$381,084	45.9%	\$54,594
As Recalculated	\$150,301	\$385,791	39.0%	\$66,394
Difference	(\$5,600)	\$4,707	(6.9%)	\$11,800

Kansas

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$45,025	\$200,182	30.5%	\$46,216
As Recalculated	\$43,325	\$193,999	22.3%	\$49,293
Difference	(\$1,700)	(\$6,183)	(8.2%)	\$3,077

Kentucky

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$114,034	\$398,756	34.6%	\$26,253
As Recalculated	\$114,034	\$444,548	25.7%	\$58,044
Difference	\$0	\$45,792	(8.9%)	\$31,791

Louisiana

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$245,676	\$748,218	37.2%	\$25,866
As Recalculated	\$250,183	\$838,737	29.8%	\$79,837
Difference	\$4,507	\$90,519	(7.4%)	\$53,971

Massachusetts

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$247,543	\$408,640	65.9%	\$16,934
As Recalculated	\$247,543	\$430,779	57.5%	\$30,470
Difference	\$0	\$22,139	(8.4%)	\$13,536

Michigan

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$84,632	\$267,117	38.9%	\$39,697
As Recalculated	\$66,732	\$277,908	24.0%	\$59,110
Difference	(\$17,900)	\$10,791	(14.9%)	\$19,413

Missouri

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$237,113	\$906,452	26.2%	\$155,991
As Recalculated	\$237,113	\$813,952	29.1%	\$96,590
Difference	\$0	(\$92,500)	2.9%	(\$59,401)

Nebraska

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$199,826	\$592,051	38.4%	\$69,737
As Recalculated	\$199,826	\$566,618	35.3%	\$61,736
Difference	\$0	(\$25,433)	(3.1%)	(\$8,001)

Nevada

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$50,313	\$186,018	35.3%	\$19,071
As Recalculated	\$50,313	\$203,180	24.8%	\$33,431
Difference	\$0	\$17,162	(10.5%)	\$14,360

New Jersey

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$89,650	\$366,880	31.6%	\$37,810
As Recalculated	\$88,150	\$395,411	22.3%	\$62,284
Difference	(\$1,500)	\$28,531	(9.3%)	\$24,474

North Carolina

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$201,818	\$562,268	40.3%	\$78,683
As Recalculated	\$182,753	\$579,199	31.6%	\$103,039
Difference	(\$19,065)	\$16,931	(8.7%)	\$24,356

Ohio

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$414,714	\$1,852,649	22.4%	\$304,486
As Recalculated	\$412,514	\$1,784,524	23.1%	\$258,912
Difference	(\$2,200)	(\$68,125)	0.7%	(\$45,574)

Pennsylvania

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$373,681	\$1,460,189	25.6%	\$367,188
As Recalculated	\$373,681	\$1,290,235	29.0%	\$250,996
Difference	\$0	(\$169,954)	3.4%	(\$116,192)

South Carolina

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$73,588	\$353,070	28.0%	\$21,639
As Recalculated	\$73,588	\$377,780	19.5%	\$41,051
Difference	\$0	\$24,710	(8.5%)	\$19,412

Tennessee

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$82,576	\$198,609	49.6%	\$23,972
As Recalculated	\$82,576	\$202,483	40.8%	\$31,644
Difference	\$0	\$3,874	(8.8%)	\$7,672

Texas

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$1,739,892	\$7,217,484	24.1%	\$1,171,450
As Recalculated	\$1,630,203	\$6,749,697	24.2%	\$885,111
Difference	(\$109,689)	(\$467,787)	0.1%	(\$286,339)

Virginia

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$176,366	\$412,463	48.2%	\$40,197
As Recalculated	\$176,366	\$438,472	40.2%	\$60,587
Difference	\$0	\$26,009	(8.0%)	\$20,390